

**TESTIMONY OF
THE UNITED ILLUMINATING COMPANY**

RE:

**PROPOSED HOUSE BILL 5052 – AN ACT PROHIBITING UTILITY COMPANY
SURCHARGES FOR CREDIT CARD PAYMENTS**

BEFORE THE ENERGY AND TECHNOLOGY COMMITTEE

FEBRUARY10, 2009

Good afternoon, Senator Fonfara, Representative Nardello and members of the Energy and Technology Committee. My name is John Moroniti and I am the Client Fulfillment Process Manager, and responsible for overseeing the online self-service payment solutions for The United Illuminating Company ("UI" or the "Company"). I am here today to offer UI's comments in opposition to **Proposed House Bill. NO. 5052- AN ACT PROHIBITING UTILITY COMPANY SURCHARGES FOR CREDIT CARD PAYMENTS.**

The Company believes that this Act, if passed, would actually add to the overall expenses that Connecticut utility ratepayers already face and would hurt, rather than help, ratepayers generally. It would unnecessarily increase of costs that would be borne by all ratepayers and provide disproportionate and unfair benefits to ratepayers who choose to pay by credit card (perhaps to obtain miles or other credit card company perks) at the expense of those who do not. As a result, the Company would seriously consider not offering a credit card payment option due to the increased cost to all consumers.

As part of a continuing effort to offer its customers a variety of cost effective payment choices, UI currently offers several payment methods that are included in customer rates as approved by the Department of Public Utility Control ("DPUC"). Customers may pay their UI bill by mailing a check, by bank draft using the Company's website, and by cash at numerous authorized walk-in payment centers located throughout the Company's service territory. These existing methods provide secure, convenient, and cost effective payment processing. They also essentially benefit all UI customers equally and do not force other customers to subsidize disproportionately customers paying by any particular method. The cost per transaction for credit and debit card payments, however, is significantly higher than these other payment methods. The reasons for these higher costs include processing fees and the credit card companies' costs of providing unsecured credit, which introduces a collections risk with each transaction. Since this higher cost for a service used by a small number of customers would be recoverable in utility rates to all customers, other ratepayers would be forced to accept the additional burden of costs that only benefit a few. We believe that this subsidy would be inappropriate and would add to the strain already placed on all ratepayers.

Without this Act, utility customers who actually pay by credit or debit card could be made to cover the increased cost for doing so, by paying a convenience fee or some other amount to offset the added expense. As a result, other customers would not be forced to pay more for their own utility service. Supporting a strategy where a customer paying with a credit or debit card bears the associated transaction fees will remove one more burden from all customers; especially when customers often pay by credit card simply to obtain the additional benefits that may come with their cards, such as mileage, airline and reward points. Theoretically, for example, a commercial customer could charge tens of thousands of dollars paying its utility bills with a credit card in order to obtain one of the many private benefits offered by credit card issuer, while the

transaction cost, which could be substantial, would be paid by other customers. UI strongly believes the higher associated costs of choosing to pay by debit or credit cards should be borne by those customers taking advantage of the payment methods and gaining the benefits from their use, and that other customers should not have to subsidize these benefits. Common sense and Company experience with this payment method also support the assumption that if costs are built into all customer rates, more customers will start using credit cards to pay their bills, and the aggregate costs of offering credit card payments will rise.

Finally, charging convenience fees for credit and debit card payments to those customers choosing these payment methods is not unique to utilities. In Connecticut, various state agencies, local governments, and municipalities currently charge convenience fees for a number of services, such as tax payments, ticket payments, town services (e.g. electric service, sewer, and water), and college tuition payments. To permit these entities to charge or pass on convenience fees while denying utilities the option is illogical at best and, at worst, sets a double standard at ratepayer expense. If such legislation is to be considered, it should apply to all entities, including state, local, and municipal governments and agencies that accept credit or debit card payments.

As stated above, the Company opposes **Proposed House Bill. NO. 5052- AN ACT AN ACT PROHIBITING UTILITY COMPANY SURCHARGES FOR CREDIT CARD PAYMENTS**. We believe the outcome will be opposite of the bills stated intent to "protect consumers." The Company believes that allowing utilities to ensure that individual customers who choose to pay their utility bills using a high cost debit or credit card option pay for that added expense will help protect the vast majority of rate payers from higher overall costs.

We thank you for the opportunity to offer these comments, and I will be glad to answer any questions you may have.

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